EX. 5

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

INTERSTATE POWER COMPANY and INTERSTATE POWER AND LIGHT CO.	))	DOCKET NO. 00-0261
	)	
APPLICATION FOR APPROVAL OF MERGER AND REORGANIZATION	))	

OFFICIAL FILE
I.C.C. DOCKET NO. 00-0261
Applicants Exhibit No. 5
Witness
Date 5/7/ Reporter

DIRECT TESTIMONY OF
Enrique Bacalao

Q. **Would you please state your name and business address for the record?**

A. My name is Enrique Bacalao, and my business address is 222 West Washington Avenue, Madison, Wisconsin 53703.

Q. **Please describe your educational background and professional experience.**

A. I have a Bachelor of Arts degree in economics and a Master of Business Administration degree from Columbia University in New York. I am presently Assistant Treasurer and Director of Finance of Alliant Energy Corporation("**Alliant Energy**"). I also serve as Assistant Treasurer of Wisconsin Power and Light Company ("**WP&L**"),of IES Utilities Inc.("IES") and of

Interstate Power Company ("IPC"). Prior to my employment by Alliant Energy, I held the position of Vice President, Corporate Banking, in the Chicago Branch of The Industrial Bank of Japan, Limited for three years. Prior to that I served eight years in the London dealing room of the same banking institution, where I headed the corporate desk in for three years after establishing the commercial paper dealing function for the bank.

Q. Have you previously testified before the Illinois Commerce Commission ("Commission")?

A. Yes. I provided testimony in the Alliant Energy delivery services dockets; ICC Docket Nos. 99-0132 and 99-0133.

Q. What is the purpose of your testimony?

A. I will be addressing the impact of the IPC and IES (collectively, "the Companies") merger on the Combined entity's (Interstate Power and Light Company ("IP&L") capital structure and ability to raise capital.

Q. Will you please describe IPC?

A. IPC is a corporation duly organized under the laws of the State of Delaware on April 18, 1925, with its principal offices located at 1000 Main Street, Dubuque, Iowa. IPC holds an Amended Certificate of Authority issued by the Secretary of

State of Illinois authorizing IPC to engage, among other things, in the electric and gas public utility businesses in the State of Illinois. IPC also is a "public utility" within the meaning of Section 5/3-105 of the Illinois Public Utilities Act, Ill. Rev. Stat. 220 ILCS (1999) (hereinafter referred to as the "Act"). IPC is an investor-owned gas and electric utility engaged principally in the distribution of natural gas, and the generation, transmission and distribution of electric energy in a 10,000 square mile service area in northwest Illinois, northeast and north central Iowa, and southern Minnesota.

Q. Please describe IP&L.

A. IP&L is the corporation that is to be formed by the merger of IPC into IES, which will change its name to IP&L. IP&L will be a "public utility" within the meaning of Section 5/3-105.

Q. Mr. Bacalao, would you please describe briefly the authority which IP&L is requesting concerning the preferred and common stock of IPC and IES?

A. IP&L seeks authorization to assume the obligations of IPC and IES, after their merger, under their existing issues of Preferred Stock and Debt, and is requesting the authority to issue new common stock. IPC and IES' existing Bonds will continue in effect and will continue to be subject to each Company's Indenture, as the obligations of IP&L.

Q. Have you prepared pro forma combined financial statements for IP&L?

A. Yes. Exhibit No. 6 (EB-1) sets forth the unaudited pro forma Combined Statements of Income for the year ending December 31, 1999 (along with the notes related thereto for IES and IPC) and the unaudited pro forma Combined Balance Sheets as of December 31, 1999. This exhibit also includes selected FERC Form 1 information for IPC and IES on an individual basis.

Q. Please explain how the unaudited pro forma combined financial statements were prepared.

A. The unaudited pro forma combined financial statements combine the audited historical consolidated balance sheets and statements of income of IES and IPC, after giving effect to the merger. The unaudited pro forma combined balance sheet at December 31, 1999, gives effect to the merger as if it had occurred at December 31, 1999. The unaudited pro forma combined statements of income for the year ending December 31, 1999 give effect to the merger as if it had occurred at January 1, 1999.

Q. Based on the unaudited combined financial statements set forth in Exhibit No. 6 (EB-1), please summarize the financial effects of the merger.

A. For the year ended December 31, 1999, IP&L would have earned $157 million of net operating income from continuing operations on $1,145 million of revenues. As of December 31, 1999, the combined assets would have totaled $249 million.

Q. Please comment on the pro forma capital structure.

A. As of December 31, 1999, the capital structure would have been 48.5% common equity, 3.5% preferred stock and 48% long term debt, as set forth in Exhibit No. 7 (EB-2). This capital structure is conservative by industry standards and will certainly maintain, if not enhance, the Companies' access to both debt and equity capital on reasonable terms.

Q. Please describe the authorized and outstanding common and preferred stock of IPC.

A. As shown on Exhibit No. 7 (EB-2), as of March 15, 2000, IPC's authorized capital stock consisted of 30 million Shares of IPC Common Stock and 200,000 shares of 4.36% Cumulative Preferred Stock, 166,000 shares of 4.68% Cumulative Preferred Stock, 100,000 shares of 7.76% Cumulative Preferred Stock, and 545,000 shares of 6.40% Cumulative Preferred Stock (collectively, the "IPC Preferred Stock"). At the close of business on March 14, 2000 (i) 9,777,432 shares of IPC Common Stock were outstanding, all of said shares being held by Alliant Energy, (ii) 60,455 shares of 4.36% Cumulative Preferred Stock, 55,926 shares of 4.68% Cumulative Preferred Stock, 100,000 shares of 7.76% Cumulative Preferred Stock, and 545,000 shares of 6.40% Cumulative Preferred Stock were outstanding and none were held by IPC or any of its affiliates, and no Voting Debt was issued or outstanding. All outstanding shares of IPC Common Stock are validly issued, fully paid and non-assessable and are not subject to preemptive rights.

Q. Please describe the authorized and outstanding common and preferred stock of IES.

A. As shown on Exhibit No. 7 (EB-2), as of March 15, 2000, the authorized capital stock of IES consisted of 24 million shares of IES Common Stock and 120,000 shares of 4.30% Cumulative Preferred Stock, 246,406 shares of 4.80% Cumulative Preferred Stock and 100,000 shares of 6.10% Cumulative Preferred Stock (collectively, the "IES Preferred Stock"). At the close of business on March 14, 2000, (i) 13,370,788 shares of IES Common Stock were outstanding, all of said shares being held by Alliant Energy, (ii) 120,000 shares of 4.30% Cumulative Preferred Stock, 146,406 shares of 4.80% Cumulative Preferred Stock, and 100,000 shares of Cumulative Preferred Stock designated as Series 6.10% were outstanding, and none were held by IES or any of its affiliates, and no bonds, debentures, notes or other indebtedness having the right to vote (or convertible into securities having the right to vote) on any matters on which shareholders may vote were issued or outstanding.

Q. What impact will the proposed merger have on the outstanding common stock of IPC?

A. Each share of IPC and IES common stock outstanding, which are now held by Alliant Energy, will be canceled, and IP&L will issue shares of common stock which will all be held by Alliant Energy, its parent company.

Q. What impact will the proposed merger have on the separate and combined companies' outstanding preferred stock or preferred stock capital accounts?

A. The proposed merger will not affect the separate and combined companies' preferred stock capital accounts. The proposed merger will require the assumption of IPC preferred stock by IP&L, which will thus become IP&L preferred stock.

Q. What impact will the proposed merger have on the Companies' outstanding long-term debt or long-term debt accounts?

A. The proposed merger will not affect IES's and IPC's (the Companies') outstanding long-term debt or long-term debt accounts. IP&L will assume all of the outstanding debt of IPC, through the draft assumption agreement attached as Exhibit No. 4 (EB-3). Therefore, the Companies' outstanding secured and unsecured long-term debt will remain in place with no changes to their existing mortgages or indentures. Bondholders in each company will continue to be covered by their respective existing indentures.

Q. What will be the effect of the merger on the Companies' individual bond ratings?

A. Currently, the bond ratings for first mortgage bonds, from Moody's and Standard & Poor's, respectively, A2 and A+ for IES; and A1 and A+ for IPC. The outcome of the merger will likely have no effect on these ratings.

Q. How will the proposed merger affect the ability of the Companies to attract equity capital?

A. There should be no impact on the ability of Alliant Energy to raise common equity. Since the Alliant Energy merger, all equity for IPC and IES has been obtained at the holding company level. The IPC and IES merger will not change this.

Q. What are the capital requirements of IP&L at the time of the proposed reorganization?

A. A copy of a forecast showing the capital requirements of the public utility subsidiaries of Alliant Energy at the time of the proposed reorganization, as required by Section 7-204A(a)(7), is contained in Exhibit No. 9 (EB-4).

Q. Section 6-103 of the Act requires that, in approving the utility's capitalization in a reorganization, the Commission must find that the amount of capitalization does not exceed the fair value of the property involved. For the purposes of this proceeding, what is the original cost of utility plant for IP&L, net of depreciation, representing the fair value of the property supporting IP&L's proposed capitalization?

A. The depreciated original cost of IP&L's utility plant on a pro forma basis is approximately $1,873 million as shown on Exhibit No. 6 (EB-1). The pro forma capitalization of IP&L for utility-only operations is $1,623 million at December 31, 1999, as shown on Exhibit No. 7 (EB-2). This evidence demonstrates that the pro forma utility-only capitalization at

December 31, 1999 does not exceed the fair value of IP&L's utility property.

Q. Does this conclude your testimony?

A. Yes.